

Message Text

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E.O. 11652: GDS

TAGS: ENRG, UR, US, NO

SUBJECT: NORTH STAR PROJECT: POSSIBLE NORWEGIAN TERMINAL

REF: STATE 174656

1. TEXAS EASTERN'S EXECUTIVE VICE PRESIDENT KENDALL VISITED EMBASSY SEPTEMBER 5 TO DISCUSS NORTH STAR PROJECT AS IT MIGHT RELATE TO NORWAY. HE EXPLAINED THAT HE HAD COME AT THE REQUEST OF DEPUTY UNDER SECRETARY OF THE TREASURY BENNETT TO TELL NORWEGIANS FRANKLY THERE WAS LITTLE LIKELIHOOD THAT DECISION WOULD BE TAKEN TO BUILD LIQUEFACTION PLANT AND PORT IN FINNMARK SINCE IT WAS CLEAR THAT MOST SOVIET AGENCIES WISHED TERMINAL BUILT IN USSR. PERSONALLY, KENDALL SAID HE WOULD BE OPPOSED TO PROJECT IN NORWAY SINCE IN HIS EXPERIENCE NORWEGIANS WERE HARD-BARGAINING "SHEIKS OF THE NORTH" WHO COULD NOT BE TRUSTED TO STICK BY ANY AGREEMENT WHICH WAS CONCLUDED. HE PROMISED TO INFORM ME AFTER HE HAD MET WITH FOREIGN MINISTRY UNDER SECRETARY SVENNEVIG ON SEPTEMBER 7.

2. KENDALL PHONED ME FROM TEXAS SEPTEMBER 10, EXPLAINING HE HAD NOT HAD TIME BEFORE HE LEFT OSLO. HE SAID HE HAD TOLD SVENNEVIG AND POLITICAL ADVISER FROM MINISTRY OF INDUSTRY AND HANDICRAFTS THAT: A) THERE IS NOT CERTAINTY THAT NORTH STAR PROJECT WILL COME TO FRUITION GIVEN THE REMAINING HURDLES, NOTABLY QUESTION OF FINANCING; AND B) EVEN IF IT DOES, THE CHANCES ARE SLIM THAT DECISION WILL BE MADE TO CONSTRUCT TERMINAL IN NORWAY. KENDALL CLAIMED
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NORWEGIANS WERE UNDER NO ILLUSIONS ABOUT THE PROJECT.

3. WHILE KENDALL APPARENTLY DID NOT ENCOURAGE NORWEGIANS, HE ALSO DID NOT TERMINATE THE DIALOGUE. NORWEGIANS ASKED HIM, HE SAID, WHETHER TERMINAL MIGHT NOT BE LOCATED FURTHER TO THE WEST THAN KIRKENES. HE TOLD THEM THAT IT MADE NO SENSE TO HIS COMPANY TO INCUR THAT EXTRA EXPENSE, AND THAT IF THE TERMINAL WERE PLACED IN NORWAY, IT SHOULD BE AT KIRKENES. NORWEGIANS THEN ASKED WHETHER SOME OF THE SHIPS MIGHT NOT BE CONSTRUCTED IN NORWAY. KENDALL TOLD THEM THAT THIS WAS OUT OF THE QUESTION, SINCE IT WAS PLANNED TO CONSTRUCT ALL SHIPS IN THE U.S. (IN EARLIER DISCUSSION WITH EMBASSY, HE HAD SAID HE WAS LOOKING AT REQUEST OF USG INTO POSSIBILITY OF FOREIGN PURCHASE OF MATERIEL FOR THE PROJECT, BUT HE COULD NOT CONCEIVE PURCHASING ANYTHING IN A COUNTRY LIKE NORWAY WHICH WAS PROBABLY NOT IN POSITION TO EXTEND NECESSARY CREDITS.) NORWEGIANS ALSO ASKED WHETHER NORWEGIAN SEAMEN MIGHT NOT MAN U.S. - BUILT SHIPS AND KENDALL TOLD THEM THIS TOO WAS OUT OF THE QUESTION.

4. KENDALL APPARENTLY REITERATED HIS OFFER TO PROVIDE NORWEGIANS WITH A FULL-SCALE BRIEFING ON THE PROJECT AND WAS TOLD BY SVENNEVIG THAT NORWEGIAN SIDE WOULD NOT BE IN A POSITION TO DISCUSS IT UNTIL LATTER PART OF OCTOBER, I.E. AFTER THE NEW GOVERNMENT IS FORMED. WHEN I ASKED HIM WHY HE WAS INTERESTED IN DISCUSSING PROJECT FURTHER WITH NORWEGIANS, HE AGREED THERE WAS NO REAL REASON TO DO SO. HE ADMITTED, HOWEVER, THAT HE HAD ASKED LAW FIRM HANDLING TEXAS EASTERN'S INTERESTS IN OSLO TO PREPARE DETAILED STUDY OF TERMINAL IN NORWAY FROM STANDPOINT OF COST, TAXES, EMPLOYMENT, ETC. KENDALL EXPLAINED THAT, IN FACT, NORTH STAR HAD BEEN SO BUSY WITH THE QUESTION

OF THE PIPELINE IT HAD NOT REALLY HAD A CHANCE TO STUDY THE NORWEGIAN OPTION IN ANY DETAIL. IN CONCLUSION, HE PROMISED TO KEEP THE EMBASSY INFORMED OF ANY DEVELOPMENTS INVOLVING NORWAY.

5. COMMENT: TO JUDGE BY KENDALL'S DESCRIPTION OF HIS CONVERSATION WITH SVENNEVIG, AND THE FACT THAT HE HAS COMMISSIONED A STUDY OF A NORWEGIAN TERMINAL, HE IS STILL KEEPING THE NORWEGIAN OPTION AJAR. WE HAVE NOT YET HEARD THE NORWEGIAN VERSION OF THIS MEETING TO JUDGE WHETHER THEY STILL HAVE HOPE OF SEEING THE TERMINAL IN FINNMARK.

6. IN ADDITION TO AN EFFORT TO KEEP OPTIONS OPEN AND
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PREPARE A FALL-BACK POSITION SHOULD PROBLEMS DEVELOP WITH CONSTRUCTION

IN THE USSR. KENDALL COULD HAVE A MORE PERSONAL REASON FOR LOOKING INTO A NORWEGIAN TERMINAL. HE ADMITTED THAT ONE OF HIS MAIN REASONS FOR RETURNING TO OSLO WAS TO LOOK INTO THE QUESTION OF ACQUIRING OIL DRILLING CONCESSIONS IN THE NORTH SEA FOR TEXAS EASTERN. KENDALL COULD WISH IT KNOWN THAT HE IS STILL LOOKING INTO THE TERMINAL IN THE HOPE THAT THIS, IN ITSELF, MIGHT MAKE THE NORWEGIANS TAKE A TEXAS EASTERN BID MORE SERIOUSLY HE COULD NOT USE THE OFFER OF A TERMINAL AS ACTUAL LEVERAGE IN

NEGOTIATIONS, OF COURSE, UNTIL HE HAD PERSUADED HIS PARTNERS AND
THE SOVIETS THAT THE NORWEGIANS OPTION IS AN ATTRACTIVE ONE.
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